

## CASH MANAGEMENT POLICIES AND PROCEDURES HANDBOOK

### CHAPTER 1. INTRODUCTION

#### Section 1.0 Purpose

The Department of Commerce Cash Management Policies and Procedures Handbook, (hereafter referred to as the Handbook) is issued under authority of Department Administrative Order 203-28, revised September 1, 1999. The purpose of this Handbook is to:

- \$ provide specifics on implementing Departmental cash management policies and procedures to improve the Department's cash flow functions;
- \$ describes opportunities to improve cash flow processes;
- \$ raise the consciousness of financial managers about the time-value-of-money;
- \$ emphasize the use of EFT (Electronic Funds Transfer) mechanisms for collecting receipts and for making payments.

#### Section 2.0 Authority

Department of the Treasury Circular 1084 instructs Federal agencies to conduct financial activities in a manner which

- \$ makes available to Treasury the maximum amount of cash for investment;
- \$ aids Treasury in avoiding unnecessary borrowing from the public.

Further guidance is available in:

Volume 1, [Treasury Financial Manual, Part 6-8000.](#)

#### Section 3.0 Responsibilities

Virtually every financial transaction in the Federal Government involves the receipt or payment of funds. Because of the wide scope and high volume of these transactions, cash management objectives cannot be achieved exclusively by financial management personnel. Coordinated efforts by all Federal managers and employees are needed.

##### A. Office of Financial Management

The Office of Financial Management is responsible for establishing Departmental cash management policies and procedures, and publishing these policies and procedures in the Departmental Cash Management Policies and Procedures Handbook. Additionally, the

## CASH MANAGEMENT POLICIES AND PROCEDURES HANDBOOK

Office of Financial Management is responsible for monitoring agency compliance with published cash management guidelines and directives.

### B. Organization Unit Finance Officers

Organization unit finance officers are to guide and influence others within their organization to actively participate in effective cash management practices. However, the monitoring of cash management practices may be formally delegated by the finance officer to a specially designated "cash management officer." (See Chapter 6, Exhibit 6-2, for a listing of current organization unit finance officers.)

Some of the major cash management responsibilities assigned to organization unit finance officers are as follows:

- a. Finance officers should make a continuous effort to promote effective cash management practices among all managers and employees.
- b. Finance officers should encourage other organization unit managers to include cash management objectives and accomplishments in performance plans and evaluations of those whose duties involve decision-making for the receipt, commitment, programming, or expenditure of Departmental funds.
- c. Finance officers should regularly monitor the cash management functions and performance of cash management officers to ensure that they are performing cash management duties and responsibilities expeditiously and effectively, in accordance with applicable laws, regulations, and Departmental policies.

### Section 4.0 Overview of Cash Management Policies and Procedures

The purpose of cash management policies and procedures is to ensure the use of the most economical and effective cash flow techniques in financing Federal programs. This is achieved through a commitment to certain basic cash management principles, such as those stated in the following examples:

- a. Billings to organizations outside the Government shall be prepared and sent promptly after the goods or services have been rendered. To ensure that funds are received promptly, these billings shall clearly indicate the requirement for timely payment.
- b. Charges for late payments in the form of interest, penalties, and

## CASH MANAGEMENT POLICIES AND PROCEDURES HANDBOOK

administrative costs shall be levied on delinquent receivables to offset the cost of funds to the Government and administrative costs incurred in collecting delinquent debts.

- c. Collection systems shall be designed with explicit consideration to the volume and character of the collections and the most expeditious availability of cash to Treasury.
- d. Collection systems shall include procedures which provide for prompt and continuing action to collect outstanding receivables, with particular attention to delinquent receivables.
- e. The aggregate total of uncollected receivables shall be kept to the minimum amount possible.
- f. Contracts or agreements which govern the sale of goods or services to an organization outside the Government shall include a payment schedule, provide notice of late charges for delinquency, and whenever possible, provide for the receipt of payment in advance or acceptance of individual credit cards (approved by Treasury) for the sale of Government goods or services.
- g. Deposit processing, both for United States dollars and foreign currencies, shall be completed promptly and include a separation of the flow of collections from the flow of related documents at the earliest possible processing point, i.e., separation of duties.
- h. All funds are to be collected by EFT when cost effective, practicable and consistent with current statutory authority. Collection mechanisms should be considered in the following order of preference:
  - \$ Automated Clearing House (ACH)
  - \$ Fedwire
  - \$ Debit/credit card
  - \$ Lockbox
  - \$ Treasury's General Account (TGA)
- i. Payment systems shall be designed so that payments are made neither early nor late, and in accordance with the provisions of the Prompt Payment Act (see Appendix F).

## CASH MANAGEMENT POLICIES AND PROCEDURES HANDBOOK

- j. Payment on an invoice shall not be made before receiving the related goods or services, except as specifically authorized by law.
- k. Payment systems shall incorporate procedures which will allow routine taking of economical cash discounts without need for special handling. (See Chapter 4, Section 3.04(d), for details on economical cash discounts.)
- l. All funds are to be disbursed by EFT when cost effective, practicable, and consistent with current statutory authority. Bankcards, or electronic funds transfers, including Automated Clearing House (ACH) and Fedwire Deposit System, and Treasury Checks shall be used to make payments, according to Treasury regulations.
- m. Cash advances for grants, procurement, or authorized employee entitlements shall be closely monitored, shall not be in excess of that required for immediate disbursement needs, and shall be promptly withdrawn or refunded when excessive.
- n. Imprest funds, and other cash held outside the Treasury, shall be held to the minimum frequently reviewed to ensure that fund balances do not exceed the amounts authorized, are not idle, and are commensurate with actual disbursement needs (see Chapter 6).
- o. When authorized by law or by Treasury, funds kept in interest bearing accounts shall yield the highest possible interest rate commensurate with efficient administration of the account.
- p. Foreign currencies acquired through commercial channels with U.S. dollars shall be purchased at the most favorable legal exchange rate obtainable from a legally authorized source.
- q. United States owned excess or near-excess foreign currencies shall be used first rather than acquiring such currencies through the exchange of additional U.S. dollars.

### Section 5.0 Opportunities for Improving Cash Management Practices

Cash management policies and procedures cannot be viewed as separate functions. Rather, cash

## CASH MANAGEMENT POLICIES AND PROCEDURES HANDBOOK

management policies reflect desirable principles and standards while cash management procedures provide the practical application of those principles and standards to ongoing financial management activities. The success of the program depends on the actual practices used from day-to-day.

To achieve cash management objectives, organization unit finance officers should explore and continuously pursue opportunities in which they can:

- a. Improve billing, collection, and deposit services.
- b. Reduce or eliminate delinquent debts owed the Government.
- c. Streamline and better control disbursement systems and activities.
- d. Maximize the use of electronic funds transfers (including bankcards) in preference to paper checks.
- e. Minimize idle cash in the hands of the organization unit or program recipients.
- f. Reflect good cash management objectives in organization unit directives.
- g. Monitor the level of compliance with organizational, Departmental, and Government-wide cash management guidelines.

### Section 6.0 Waivers and Exemptions

Requests for waivers or exemptions to the provisions of this Handbook shall be submitted in writing to the Director for Financial Management, Office of the Secretary. Each request shall identify the specific requirement(s), state fully the reason(s) for the request, identify the period to be covered by the waiver or exemption, and include supporting documentation. A response to each request for waiver or exemption will be issued promptly.

### Section 7.0 Role of Other Laws and Regulations

The policies, principles, and standards stated in this Handbook do not relieve organization units from complying with current laws or regulations published by the central agencies, (i.e., Office of Management and Budget, General Accounting Office, Office of Personnel Management, Department of the Treasury, and the General Services Administration). The Office of Financial Management will attempt to keep the Handbook as current as possible, and will notify

## CASH MANAGEMENT POLICIES AND PROCEDURES HANDBOOK

organization units of any changes in central agency requirements as soon as they are issued.